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SIPDIS

SENSITIVE

STATE FOR SA/INS AND INL  
LONDON FOR POL - RIEDEL  
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SUBJECT: NEPAL CORRUPTION AUTHORITY TAKES ON EX-MINISTERS

REF: A. (A) KATHMANDU 1618

[B.](#) (B) KATHMANDU 0800

[C.](#) (C) KATHMANDU 0418

[D.](#) (D) KATHMANDU 1964

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SUMMARY  
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[1.](#) (SBU) Despite the recent change in government, the Commission for Investigation into the Abuse of Authority (CIAA), the autonomous constitutional body charged with prosecuting corruption, is continuing to pursue a number of high-profile cases against several former ministers and prominent civil servants. The CIAA can employ sweeping powers of investigation and prosecution unparalleled by other government agencies, and its zeal dovetails with the interim government's emphasis on good governance. A public long disenchanted by flagrant and widespread corruption at the highest levels of government has so far overwhelmingly welcomed the probes. A Department of Justice program to train prosecutors for corruption cases, scheduled to take place in Kathmandu from November 18-22, is particularly well timed. To maintain the credibility and reputation for independence it now enjoys, the CIAA must remain careful to keep its investigations non-partisan and balanced. End summary.

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CORRUPTION QUERIES CONTINUE  
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[2.](#) (U) When the Commission for the Investigation into the Abuse of Authority (CIAA), the autonomous constitutional body charged with prosecuting official corruption, began investigating corruption charges against 22 mid-level civil servants--most from the Department of Customs and Ministry of Finance--in August (Ref A), many observers hoped that inquiries into the activities of even more prominent personalities would follow. Since then the agency, armed with the interim government's mandate to tackle corruption and restore good governance, has followed up these initial probes with a series of inquiries aimed at several high-ranking officials in previous administrations, including at least three ex-ministers in former Prime Minister Sher Bahadur Deuba's Cabinet.

[3.](#) (U) The Commission is questioning former Minister for Information and Communications Jaya Prakash Gupta; former Minister for Home Affairs Khum Bahadur Khadka; and former Minister for Physical Planning and Works Chiranjibi Wagle (all from Deuba's Nepali Congress government). Also called in for questioning has been Ram Krishna Mainali, a member of the Communist Party of Nepal - United Marxist Leninist (UML), who had been Minister of Communications in a 1998 coalition government.

[4.](#) (U) So far the inquiries into these former members of Deuba's Cabinet have focused on actions they took while Ministers in previous Nepali Congress governments. Gupta is under investigation for a mobile telephone deal he authorized as Communications Minister in 1999 (Mainali is being questioned for beginning the deal during his tenure as Minister the year before); Khadka for having awarded several unbid contracts for projects during his time as Water Resources Minister from 1995-1997; and Wagle, along with his unemployed son, for having amassed wealth not commensurate with the level of his official remuneration. Also under investigation is General Manager of the state-owned (and largely bankrupt) Royal Nepal Air Corporation, Ramagya Prasad Chaturbedi, for possible corrupt dealings during a previous incarnation as General Manager of the state-owned National Construction Company; and Ananda Khanal, a former Director General for road construction in the Ministry of Physical Works.

[5.](#) (U) Paralleling CIAA's investigations is the work being done by yet another independent body, the Judicial Investigation and Probe Commission on Property (JIPC), appointed by former PM Deuba in March to assess the value of



personal assets acknowledged by more than 40,000 current and former politicians, Members of Parliament, Ministers, and civil servants who have held office since 1990 (Ref C). Sources at the JIPC, which has no prosecutorial powers of its own, have already indicated to the press that they plan to question a multi-partisan group of former ministers, as well as Sujata Koirala, the daughter of former Prime Minister G.P. Koirala. If sufficient evidence against the subjects is found, the cases will be referred to CIAA for prosecution.

16. (SBU) Former Prime Minister Deuba has told the Ambassador that he welcomes CIAA's pro-active stance, commenting that he "would be relieved" if any former members of his Cabinet implicated in corrupt activities were to end up being indicted (Ref D). He added that he considers passage of tougher anti-corruption legislation during his most recent administration one of his proudest achievements.

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POLITICAL APPOINTEE HEADS OF STATE-OWNED ENTERPRISES AXED  
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17. (U) On October 28 the interim government fired all the general managers of the 39 state-owned enterprises. So far, no replacements have been named. GM positions at the head of the state-owned enterprises, most of which are operating in the red, have long been regarded as lucrative sinecures for well-connected political allies of the party in power, who have often treated those corporations as cash cows to fund personal and partisan activities. Although a report by the National Planning Commission in 2000 recommended that the SOE directors be chosen on the basis of merit and competence, rather than patronage and paybacks, no action was taken to revamp management.

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CIAA: BROAD POWERS, KEY MANDATE  
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18. (SBU) The CIAA adopted its more vigorous and visible public stance after Parliament passed more stringent anti-corruption legislation in April (Ref B), including an act that established a Special Court to try corruption cases. The new legislation gives the CIAA sweeping authority to investigate; conduct searches; examine bank accounts; freeze and/or impound assets; charge; and prosecute cases against public officials. The Commission may decide to "pick up cases from anywhere," according to Chief Commissioner Surya Nath Upadhyay--even an anonymous e-mail, phone call, or letter. At least two of the three Commissioners must decide that there is sufficient initial evidence against a suspect to begin an investigation. (Note: CIAA's authority does not extend to members of the judiciary, the Royal Nepal Army, and, of course, the Royal Family. End note.) Suspects in a CIAA case may be detained for up to six months without charge. The 18 suspects arrested in CIAA's initial sweep at the Department of Customs and Ministry of Finance in August (Ref A) have been held for more than two months.

19. (SBU) The probes seem to have gained in breadth--as well as in the height of the positions targeted--since King Gyanendra appointed the interim government under Prime Minister Lokendra Bahadur Chand with a special mandate to clean up corruption. Besides the former Ministers now under investigation, the CIAA is contemplating bringing charges against a host of other prominent figures from different political parties, Upadhyay told the Ambassador in an October 22 meeting. For example, the CIAA is examining allegations against a former Nepali Congress Home Minister, who attributes his excessive wealth to money sent him by his son, who now lives in the U.S. Since the son has apparently been out of school for only one year, however, Upadhyay says he questions this story. He asked for U.S. Embassy assistance in verifying the son's income in the U.S. (We understand the British received a similar request regarding a former UML Minister's son.) The Ambassador undertook to extend all appropriate assistance.

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DOJ WORKSHOP TIMELY  
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10. (U) The U.S. Department of Justice Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT) will conduct a one-week workshop in Kathmandu November 18-22 aimed at training 35 prosecutors, judges, and policemen in dealing with corruption cases. While this training was planned well before these corruption cases hit the front pages, the timing of the workshop--just as CIAA appears to be gearing up to bring a number of cases before the Special Court--is particularly fortuitous.

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COMMENT  
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11. (SBU) Most Nepalis believe that corruption, while



discreetly present during the autocratic Panchayat regime, has burgeoned into a free-wheeling growth industry in the 12 years since the restoration of democracy. Whether that perception is correct or not, many disenchanted citizens associate democracy with the democratization of rapaciousness and venality. Demonstrating that a constitutional government can stem this pervasive and commonplace vice after more than a decade of neglect is a near-gargantuan task. CIAA, at long last, appears to be exercising powers broad enough--almost too broad--to meet the challenge. So far, we see no evidence that CIAA intends to abuse this power, and are encouraged that it is adopting a multi-partisan approach--especially since there seems to be ample evidence of guilt on both sides of the aisle. Safeguarding this impartiality is obviously key to maintaining CIAA's credibility, and thus to the success of its goals. As outlined in our Mission Program Plan, the Embassy wants to supplement long-delayed Government of Nepal efforts to tackle corruption with programs similar to the timely OPDAT prosecutorial training course.

MALINOWSKI